

## Message Text

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ORIGIN EA-14

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NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 EB-11 COME-00 AID-20 IGA-02 OMB-01 /123 R

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FM SECSTATE WASHDC

TO AMEMBASSY BANGKOK

INFO CINCPAC HONOLULU HI

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E.O. 11652: N/A

TAGS: MARR, TH

SUBJECT: T X EXEMPTIONS FOR U. S. MILITARY CONTRACTS  
IN THAILAND

REFS: (A) BANGKOK 9629 (B) BANGKOK 9759

1. THE CONGRESS, IN ENACTING THE MUTUAL SECURITY ACT OF 1951, PRECLUDED THE USE OF FUNDS AUTHORIZED FOR THE EUROPEAN PROGRAM FOR THE PAYMENT OF TAXES. THIS PROHIBITION WAS VIEWED BY DOD AS AN EXPRESSION OF CONGRESSIONAL POLICY THAT U. S. CONTRIBUTIONS TO THE COMMON DEFENSE NOT BE SUBJECT TO FOREIGN TAXATION AND WAS ADOPTED BY DOD TO APPLY TO ALL EXPENDITURES FROM APPROPRIATED FUNDS MADE FOR COMMON DEFENSE THROUGHOUT THE WORLD. WHILE THE MUTUAL SECURITY ACT OF 1951 HAS BEEN SUPERSEDED BY SUBSEQUENT LEGISLATION, CONGRESS HAS DONE NOTHING IN THE INTERVENING YEARS THAT COULD BE INTERPRETED AS A REVERSAL OF ITS POLICY WITH REGARD TO TAXATION BY FOREIGN GOVERNMENTS OF EXPENDITURES

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OF FUNDS APPROPRIATED FOR THE COMMON DEFENSE. AS A CON-

SEQUENCE, IT CONTINUES TO BE THE POLICY OF DOD, "TO SECURE, TO THE MAXIMUM EXTENT PRACTICABLE, EFFECTIVE RELIEF FROM ALL FOREIGN TAXES WHEREVER THE ULTIMATE ECONOMIC BURDEN OF THOSE TAXES WOULD, IN THE ABSENCE OF SUCH RELIEF, BE DEMONSTRABLY BORNE BY FUNDS APPROPRIATED OR AVAILABLE TO THE DEPARTMENT OF DEFENSE..." THIS POLICY APPLIES

"TO THOSE EXPENDITURES SUBJECT TO TAXES IMPOSED BY ANY OTHER FOREIGN COUNTRY IN WHICH ALL OR MOST OF THE UNITED STATES DEFENSE ACTIVITIES, IN A COLLECTIVE SENSE, ARE CONDUCTED IN THE INTEREST OF THE COMMON DEFENSE OR OTHERWISE SIGNIFICANTLY IMPROVE THE MILITARY SECURITY OF SUCH COUNTRY." (QUOTED FROM DOD DIRECTIVE 5100.64, AUGUST 12, 1970, WHICH IS AN ENCLOSURE TO CA-5676 OF NOVEMBER 5, 1970.)

2. RELEVANT REPORTS TO CONGRESS ARE "QUESTIONABLE PAYMENT OF TAXES TO OTHER GOVERNMENTS ON U. S. DEFENSE ACTIVITIES OVERSEAS" BY THE COMPTROLLER GENERAL OF THE U. S. (JANUARY 20, 1970) AND "PROGRESS TO STRENGTHEN U. S. GOVERNMENT FOREIGN TAX RELIEF ON DEFENSE EXPENDITURES OVERSEAS" BY THE COMPTROLLER GENERAL (JANUARY 6, 1972). COPIES OF THESE WERE LEFT WITH THE EMBASSY BY THE INTER-AGENCY COMMITTEE ON TAX RELIEF WHEN THEY VISITED BANGKOK IN JANUARY 1971 AND MAY 1972.

3. TO DATE THE INTER-AGENCY COMMITTEE HAS TAKEN DEFINITIVE ACTIONS PERTINENT TO OUR SITUATION IN THAILAND IN VIEW OF THE POLITICAL SITUATION THERE. YOU MAY BE ASSURED THAT ANY REPORT TO THE GAO BY THE INTER-AGENCY COMMITTEE WILL BE COORDINATED WITH THE EMBASSY. MOREOVER, THE COMMITTEE WILL BE AVAILABLE TO THE EMBASSY FOR ANY ASSISTANCE DEEMED APPROPRIATE IN EMBASSY'S EFFORTS TO SEEK TAX RELIEF FROM RTG. SISCO

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** MILITARY ASSISTANCE, ECONOMIC ASSISTANCE, CONTRACTS, CIVIL ENGINEERING, BUSINESS FIRMS, NEGOTIATIONS, TAX SHELTERS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 28 JUN 1974  
**Decaption Date:** 01 JAN 1960  
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**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** BoyleJA  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
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**TAGS:** MARR, TH, US  
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